



Finance Act 1999

1999 CHAPTER 16

PART III

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

Venture capital trusts

69 Company restructuring and convertible securities.

- (1) The Taxes Act 1988 shall be amended as follows.
- (2) In Schedule 28B (requirements to be satisfied by qualifying investments of VCTs), after paragraph 10B there shall be inserted the following paragraphs—

Acquisitions for restructuring purposes

“10C (1) This paragraph applies where—

- (a) arrangements are made for a company (“the new company”) to acquire all the shares (“old shares”) in another company (“the old company”);
- (b) the acquisition provided for by the arrangements falls within sub-paragraph (2) below; and
- (c) the Board have, before any exchange of shares takes place under the arrangements, given an approval notification.

(2) An acquisition of shares falls within this sub-paragraph if—

- (a) the consideration for the old shares consists wholly of the issue of shares (“new shares”) in the new company;
- (b) new shares are issued in consideration of old shares only at times when there are no issued shares in the new company other than subscriber shares and new shares previously issued in consideration of old shares;

Status: Point in time view as at 27/07/1999.

Changes to legislation: Finance Act 1999, Cross Heading: Venture capital trusts is up to date with all changes known to be in force on or before 02 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

- (c) the consideration for new shares of each description consists wholly of old shares of the corresponding description; and
 - (d) new shares of each description are issued to the holders of old shares of the corresponding description in respect of, and in proportion to, their holdings.
- (3) For the purposes of sub-paragraph (1)(c) above an approval notification is one which, on an application by either the old company or the new company, is given to the applicant company and states that the Board are satisfied that the exchange of shares under the arrangements—
 - (a) will be effected for bona fide commercial reasons; and
 - (b) will not form part of any such scheme or arrangements as are mentioned in section 137(1) of the 1992 Act.
- (4) If the requirements of paragraph 3 above were satisfied in relation to the old company and any old shares immediately before the beginning of the period for giving effect to the arrangements, then (to the extent that it would not otherwise be the case) those requirements shall be deemed to be satisfied in relation to the new company and the matching new shares at all times which—
 - (a) fall in that period; and
 - (b) do not fall after a time when (apart from the arrangements) those requirements would have ceased by virtue of—
 - (i) sub-paragraph (4) or (5) of that paragraph, or
 - (ii) any cessation of a trade by any company,
 to be satisfied in relation to the old company and the matching old shares.
- (5) For the purposes of paragraph 3 above the period of two years mentioned in sub-paragraph (4) of that paragraph shall be deemed, in the case of any new shares, to expire at the same time as it would have expired (or by virtue of this sub-paragraph would have been deemed to expire) in the case of the matching old shares.
- (6) Subject to sub-paragraph (7) below, where—
 - (a) there is an exchange under the arrangements of any new shares for any old shares, and
 - (b) those old shares are shares in relation to which the requirements of paragraphs 6 and 8 above were (or were deemed to be) satisfied to any extent immediately before the exchange,
 those requirements shall be deemed, at all times after that time, to be satisfied to the same extent in relation to the matching new shares.
- (7) Where there is a time following any exchange under the arrangements of any new shares for any old shares when (apart from the arrangements) the requirements of paragraph 6 above would have ceased under—
 - (a) sub-paragraph (2) of that paragraph, or
 - (b) this sub-paragraph,
 to be satisfied in relation to those old shares, those requirements shall cease at that time to be satisfied in relation to the matching new shares.

Status: Point in time view as at 27/07/1999.

Changes to legislation: Finance Act 1999, Cross Heading: *Venture capital trusts* is up to date with all changes known to be in force on or before 02 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

- (8) For the purposes of paragraph 7 above any new shares acquired under the arrangements shall be deemed to represent an investment which—
- (a) raised the same amount of money as was raised (or, by virtue of this sub-paragraph, is deemed to have been raised) by the issue of the matching old shares, and
 - (b) raised that amount by an issue of shares in the new company made at the time when the issue of the matching old shares took place (or, as the case may be, is deemed to have taken place).
- (9) In determining whether the requirements of paragraph 9 above are satisfied in relation to the old company or the new company at a time in the period for giving effect to the arrangements, both—
- (a) the arrangements themselves, and
 - (b) any exchange of new shares for old shares that has already taken place under the arrangements,
- shall be disregarded.
- (10) For the purposes of paragraph 10B above the value of the new shares, both immediately after the time of their acquisition and immediately after the time of any subsequent relevant event occurring by virtue of the arrangements, shall be taken to be the same as the value, when last valued in accordance with that paragraph, of the old shares for which they are exchanged.
- (11) Nothing in this paragraph shall deem any of the requirements of this Schedule to be satisfied in relation to any new shares unless the matching old shares were first issued to the trust company and have been held by that company from the time when they were issued until they are acquired by the new company.
- (12) References in this paragraph to the period for giving effect to the arrangements are references to the period which—
- (a) begins with the time when those arrangements first came into existence; and
 - (b) ends with the time when the new company completes its acquisition under the arrangements of all the old shares.
- (13) If, at any time after the arrangements first came into existence and before the new company has acquired all the old shares, the arrangements—
- (a) cease to be arrangements for the acquisition of all the old shares by the new company, or
 - (b) cease to be arrangements for an acquisition falling within sub-paragraph (2) above,
- this paragraph shall not deem any requirement of this Schedule to be satisfied, and sub-paragraph (10) above shall not apply, in the case of any new shares at any time after the arrangements have so ceased.
- (14) Subject to sub-paragraph (15) below, references in this paragraph, except in the expression “subscriber shares”, to shares in a company include references to any securities of that company.
- (15) For the purposes of this paragraph, a relevant security of the old company shall not be treated as a security of that company if—

Status: Point in time view as at 27/07/1999.

Changes to legislation: *Finance Act 1999, Cross Heading: Venture capital trusts is up to date with all changes known to be in force on or before 02 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

- (a) the arrangements do not provide for the acquisition of the security by the new company; or
 - (b) such treatment prevents sub-paragraph (1)(b) above from being satisfied in connection with the arrangements.
- (16) In sub-paragraph (15) above “relevant security” means an instrument which is a security for the purposes of this Schedule by reason only of section 842AA(12).
- (17) For the purposes of this paragraph—
- (a) old shares and new shares are of a corresponding description if, were they shares in the same company, they would be of the same description; and
 - (b) old shares and new shares are matching shares in relation to each other if the old shares are the shares for which those new shares are exchanged under the arrangements.

Conversion of convertible shares and securities

- 10D.—(1) This paragraph applies where—
- (a) shares have been issued to the trust company by virtue of the exercise by that company of any right of conversion attached to other shares, or securities, held by that company (“the convertibles”);
 - (b) the shares so issued are in the same company as the convertibles to which the right was attached;
 - (c) the convertibles to which the right was attached were first issued to the trust company and were held by that company from the time they were issued until converted; and
 - (d) the right was attached to the convertibles when they were first so issued and was not varied before it was exercised.
- (2) Sub-paragraphs (5) to (8) of paragraph 10C above shall apply in relation to the exchange of convertibles for shares by virtue of the exercise of the right of conversion as if—
- (a) that exchange were an exchange under any such arrangements as are mentioned in that paragraph of new shares for old shares; and
 - (b) the references in those sub-paragraphs and sub-paragraph (17) (b) of that paragraph to the arrangements were references to the provision conferring the right of conversion.
- (3) For the purposes of paragraph 10B above the value of the new shares immediately after the time of their acquisition by the trust company shall be taken to be the same as the value, when last valued in accordance with that paragraph, of the convertibles for which they are exchanged.”
- (3) In paragraph 13 of Schedule 28B, at the beginning of sub-paragraph (1) there shall be inserted “ Subject to paragraph 10C(15) above, ”.
- (4) In section 842AA (venture capital trusts), after subsection (5) there shall be inserted the following subsections—
- “(5AA) For the purposes of subsection (2)(b) to (d) above where—

Status: Point in time view as at 27/07/1999.

Changes to legislation: Finance Act 1999, Cross Heading: Venture capital trusts is up to date with all changes known to be in force on or before 02 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

- (a) any shares (“new shares”) are exchanged for other shares (“old shares”) under arrangements in relation to which paragraph 10C of Schedule 28B applies, and
- (b) those arrangements have not ceased by virtue of sub-paragraph (13) of that paragraph to be arrangements by reference to which requirements of that Schedule are deemed to be satisfied,

the value of the new shares, both at the time of their acquisition and immediately after any subsequent addition to a holding of the new shares that is made under those arrangements, shall be taken to be the same as the value, when last valued in accordance with subsection (5) above, of the old shares for which they are exchanged.

(5AB) References in subsection (5AA) above to shares in a company include references to any securities of that company.

(5AC) For the purposes of subsection (2)(b) to (d) above, where—

- (a) shares (“new shares”) are issued to a company by virtue of the exercise by that company of any right of conversion attached to other shares, or securities, held by that company (“convertibles”), and
- (b) paragraph 10D of Schedule 28B applies in relation to the issue of the new shares,

the value of the new shares at the time of their acquisition shall be taken to be the same as the value, when last valued in accordance with subsection (5) above, of the convertibles for which they are exchanged.”

(5) This section—

- (a) shall have effect in relation to any arrangements made, and rights of conversion exercised, on or after 16th June 1999; and
- (b) shall be deemed to have come into force on that date.

70 Relief on distributions.

(1) In Schedule 15B to the Taxes Act 1988 (VCTs: relief from income tax), in paragraph 7 (relief on distributions), in sub-paragraph (3)(a), after “trust,” there shall be inserted—

“(ia) were so acquired for bona fide commercial purposes and not as part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax,”.

(2) This section applies in relation to shares acquired on or after 9th March 1999.

Status:

Point in time view as at 27/07/1999.

Changes to legislation:

Finance Act 1999, Cross Heading: Venture capital trusts is up to date with all changes known to be in force on or before 02 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.